

**Governor's Transportation 2020 Citizen Advisory Commission (CAC)
July 7, 2011 Meeting Transcript of Input**

**Courtyard Des Moines Ankeny – Salon IV
Ankeny, IA**

CITY INPUT

Jessica Harder, Director of Governmental Affairs, League of Cities, said this is a huge issue for cities. The policy committee has made it a legislative priority for the last several years and has made progress with the help of many of those in this room but they still know that there is a lot of need for infrastructure money. They recognize successful economic development relies on good infrastructure. She said now some of our city and county officials will provide their opinion and give more information on how this affects them at the local level.

Chad Schaeffer, City Engineer, Fort Dodge and the 2011 President of the American Public Works Association, Iowa Chapter, said their average street rating has dropped from 62 in 2005 to 57 today. In 2008, Fort Dodge voted to increase their half cent local option sales tax for water/sewer/street infrastructure to a full cent. However, for larger projects they are having to use property tax general obligation bonds. He said their Road Use Tax Funds in general are used for maintenance, for equipment, and for personnel rather than overlay and reconstruction projects.

Rick Fosse, Iowa City Public Works Director, provided a handout summarizing his notes. He said over the last five-year period due to funding shortfalls they have had to defer maintenance on roadways which has caused some to fall from the Good to Fair category into the Poor to Very Poor condition category. Their Road Use Tax Funds are not able to keep up with operation and maintenance activity costs. Thus, they are having to shift some maintenance activity costs along with capital improvement project costs to being paid with property tax general obligation bonds. This concerns him since the life of the maintenance activities won't last as long as it takes to pay-off the bonds. That is a position that cities are being forced into and it is not a good trend for us as a state.

In regard to actions to increase efficiency, Rick Fosse said they piggyback onto the state's buying power whenever possible with the salt bids, buying vehicles, etc. They have extended the service life of their vehicles and keep them on the road longer. They use temporary employees wherever possible and they also coordinate with Johnson County. They have a perimeter around their city and when they are setting up their snow routes, maintenance, etc., they base it on what works best for the routes for the crews rather than strictly on whose jurisdiction is which.

Rick Fosse said TIME-21 funds are greatly appreciated but they don't completely fill the gap. In their FY 12 budget they have \$10.3 million budgeted for transportation projects, maintenance, and operations. They are going to fund that with \$5.89 million of projected Road Use Tax Funds and \$4.41 million of general obligation bonds. This means they need an increase of about 75 percent over their existing road use tax revenues to meet their needs today. He said some information the Commission received last week contained a graph that showed the decrease in buying power of the Road Use Tax Funding since 1992, this really tracks well with that. If we

were back at 100 percent buying power, they would hit right about where their transportation needs are.

Allan Thoms asked how do you respond to those that will come back and say “maybe the municipality should look more at local taxes such as property taxes for those types of major improvements rather than putting it all on the Road Use Tax Fund”. Is the traffic locally based or more regional/statewide? How do you respond to that?

Rick Fosse said watching what is happening at the state level, they are feeling immense pressure about the whole property tax issue so they don’t see that as a viable option for them. Iowa City does have a local option sales tax and they are spending it on flood recovery from 2008. The next time it comes up for a vote he thinks it will be targeted for a new jail which is a very large need in their community. As far as transportation needs, Iowa City is a destination community; they have people coming in from all over for sporting events, University Hospitals, etc., so they feel the current method is appropriate as far as getting funds from the Road Use Tax Fund so that everybody shares in that cost.

Nancy Richardson said one of the key points Mr. Fosse made about the funding shortfall, the very first one, seems to address Allan Thoms’ question which is it is really a matter of not so much a shift from whether it is state or local funds that are funding transportation, it is whether it is user fees which happen to come through state coffers or whether it is something other than user fees like property tax. Most of us in Iowa believe in a user fee approach to funding roads and the authority for establishing fuel taxes and registration fees, which are user fees, rest at the state level, not at the local level. I suspect if it was at the local level, maybe local governments would have been charging different amounts in order to try to cover these things so she thought there is that bigger philosophical or policy issue of user fees and whether they are the most appropriate way to fund most of roads or whether general taxes that aren’t necessarily tied to use of that infrastructure are the better ways. The user fee is at the state level; that is where it is collected and locals don’t have that ability.

Rep. Tjepkes said a follow-up. The definition of how Road Use Tax Fund dollars are to be used is a broad statement so when we are talking about funding and moving monies around, etc., his question is do you think that definition is too broad because sometimes a lot of things get defined as a road use; i.e., law enforcement and then we talk about personnel and that sort of thing that comes out of those Road Use Tax Funds. He thought the main point a lot of us are looking at is the product itself – the street or the road that needs to be repaired but we have all these, not exactly, side issues but they are necessary to achieve what we need to get done. Is that definition too broad? Should the focus of those dollars be more toward concrete and black top and that sort of thing? He also asked if any cities use Road Use Tax Fund dollars for law enforcement, the patrolling of the streets.

Rick Fosse said they don’t use any Road Use Tax Fund dollars for law enforcement. Bill Stowe, Public Works Director, City of Des Moines said they use Road Use Tax Funds for traffic control.

In regard to the broadness of the definition, Rick Fosse said right now with such a funding shortfall, it is easy to work within that definition. To make that narrower could make things

more difficult on cities to put together the funding package that combines and pulls in from other areas the total package that they need to make it work.

Rep. Tjepkes said some streets have traffic camera enforcement. Is revenue from those traffic cameras directed toward road use? Rick Fosse said they aren't there yet.

Bill Stowe provided a handout and said he wants to make three basic points about Road Use Tax. First, this is real. The problem that you are hearing and that you are well aware of is real. Whether it is the largest city in the state or whether it is the smallest subdivision within the state of Iowa, the idea that we are underfunding a crucial resource is absolutely real. Second, our road condition assessments are done very scientifically. You and I as drivers certainly have an opinion about the condition of streets. This goes beyond opinions and provides really empirical data that is also graphed out on the back of the handout to show some of the funding needs for Des Moines. Third, the current system is failing. We, as communities, are seeking out alternative funding sources whether it is local option sales tax, whether it is, as in the city of Des Moines case supplementing their Road Use Taxes with gaming dollars, all of those pieces together, still don't meet the needs of a very complex system.

Bill Stowe noted in the upper left-hand corner of the handout, a series of grades from all kinds of infrastructure issues from aviation and ending with wastewater. The American Society of Civil Engineers which is hopefully a relatively objective kind of think tank of professional engineers that every two or three years assesses America's infrastructure and essentially grades it. If our kids came home with that kind of grade card, he is confident there would be consequences for it. There are consequences to us as a nation and to us as a state from failing infrastructure and this gives you a sense, as commissioners, that streets or roads certainly are only a piece of the larger puzzle but they are a very real piece.

Bill Stowe said in the right upper panel, it shows some of the strategies that all of us use to maintain our streets. The city of Des Moines does use Road Use Taxes for part of their traffic supervision process and certainly for their signalization, as an example, as part of a complex traffic system that involves the street system. He knows there is an overwhelming temptation to talk about reallocating. Frankly, in the world of Public Safety, he does not want to be in competition with his brothers and sisters in police and fire. They are an absolutely necessary condition of maintaining public order and preserving the communities that we are all a part of so redistributing between us, tightening up the definitions probably leaves localities like his in no better situation than when we started. The city of Des Moines has 2,200 lane miles of streets. He has street systems that, at least at their base if you go underneath aging overlays are 100 years old plus. They are very much unable, as you can tell from the deterioration graph on the back of the handout, to maintain their street system by any argument with Road Use Tax Funds only. They are supplementing them through other sources including GO bonds, gaming revenues from Prairie Meadows Casino. At the end of the day, they are all describing the same problem that the current system is failing; not for want of good intentions and not for bad reasons but for the very basic reason that these deterioration graphs show, you have infrastructure that deteriorates over time and if you are unwilling or unable to invest in it, it will deteriorate quicker as time goes on.

Joe Cory, Deputy Public Works Director for the City of West Des Moines, said they have 700 lane miles. For the last 10 to 15 years they have been in more of a preventative maintenance mode but he can assure you if they do not have consistent Road Use Tax funding, they will fall out of that preventative maintenance mode which is the smart way to operate the system. They will have to go straight into doing overlays and just handling complaints.

Scott Cirksena said the primary thing the Commission is looking for are solutions. Bill Stowe said they don't really have a lot of solutions. He said as an Iowan, when he gets out on the road, he doesn't think of the roads as being city, county or state. Rather, he is concerned about the quality of the infrastructure no matter which subdivision has responsibility. What he sees is deterioration in that infrastructure and pushing dollars between the three parties is not addressing the root issue which is under funding. How we face the issue of, as an example, alternative fuels in their tax exemption, of increasing use of hybrid vehicles and how that impacts funding sources. Those are complex issues that you, as Commissioners, have a better sense of the larger picture than at least he feels comfortable in making recommendations.

Scott Cirksena asked the League of Cities, based on the current formulas – is the \$215 million target still an adequate number to apply for?; is that still applicable to the critical needs? is that still valid? Jessica Harder said as far as she knows it is and the league is on board with that.

Building on that question, Scott Cirksena said the question he wanted to follow on was also from the standpoint of standards. Some entities don't put curbs on their streets which ultimately shortens the life. If we raise additional funds, should we have higher standards? Should we dictate from the state as to what your construction standards should be?

Someone said one thing that we have evolving at a state level is the statewide urban design standards and that is getting a lot of traction across the state. Within that, it is tough to apply specific standards to different communities because soils vary, drainage conditions vary, the use of the road varies so some of those things, they thought, are left best to local designers.

Jeff May said the city of Knoxville is trying to get a 50-year design and they actually put fly ash, and sub drains underneath their pavements. That increases their cost upfront about 30 percent but in 100 years instead of replacing it three times, they will only replace it twice. It doesn't help them upfront but in the long-term, hopefully, that will get them over the hump and somewhere down the road they can think about catching up.

Scott Cirksena said that is what we are looking at here, from that standpoint, do we recommend requiring a 50-year pavement life if we raise additional funds. Jeff May said there are a wide variety of soils and design conditions. There are some places in Iowa where you could probably get a longer pavement life than he can.

Joe Cory said specifically to the city of West Des Moines, there are some areas where sub drain and rock underneath the slab, etc., are warranted. To dictate that you would do that on every street would be overkill, not every street is going to need that. Oftentimes, the designers review their soil reports and come up with their pavement design - but what goes into that varies upon what is out there.

Bill Stowe said a quick answer to the complicated question regarding standards. A road in Plymouth county versus one in downtown Des Moines have very different needs. A curb certainly makes sense in downtown Des Moines but it may not on a secondary road in Plymouth county. To answer the question, it seems to him that it may make sense for you as a commission to provide some aspirational standard on a life cycle, 50 years or whatever it may be but when you get to the point of talking about curbs, thickness of pavement, type of material (asphalt versus concrete), etc., he thought you are getting to the point of overreaching local needs in a way. One size does not fit all. City representatives felt it is certainly one thing to tell us that we should build 50-year assets but it is a different thing to tell us that we should use a particular pavement design in all applications.

Scott Cirkensa said there is the point. What if we were to say that you have to design for 50 years whether it is in What Cheer or Des Moines? It is going to be different obviously as to what that design is going to be. Do you set that type of a goal if we are going to raise additional funds that you have design to that? Bill Stowe said he thought that objective is perfectly reasonable from many of our standpoints but when it goes beyond that to the specific design or specific type of material that would be used, that, then, becomes self-defeating. Certainly, saying to us “design at the 50-year level” makes a great deal of sense.

Nancy Richardson said there is some modeling on that at the federal level. Like with bridge funds, once you spend them on certain types of projects on a bridge, then you can’t spend federal funds again. There are ways to build that sort of design standard in at least in terms of the eligibility of using those kinds of funds to do something on that same roadway again. If the Commission is interested, we can provide more information about that process.

Rep. Dave Tjepkes asked the Commission co-chairs if they are going to ask the League and Counties for a written summary of their thoughts for the Commission to take into consideration. Ms. Richardson said staff is trying to capture those comments but she thought the idea of some sort of formal comments from the League and ISAC would be a reasonable request. She noted we actually don’t need that in the next week or two but we would need it in the next couple months.

COUNTY INPUT

Danny Waid, Wright/Hamilton County engineer, introduced Mike Wentzien, Supervisors Association, and Steve DeVries, Iowa County Engineer’s Service Bureau. He said he will keep his remarks short and somewhat philosophical and then let Steve DeVries fill in the analytical aspect of it with regard to his research project, TR 608, that he thought will shed a lot of light on the needs on the county side.

Danny Waid said he had the opportunity to be at the first two meetings and it struck him after the first meeting that the amount of data that you are trying to crunch down and absorb is very large so he tried to think of a way to bring the county engineer’s perspective into this in a very concise way. What he came up with is an illustration which he reviewed with the group. He said Iowa’s economy, as a state, originated and continues to be based on the most valuable natural resource – our land. The products of that land cannot fully be utilized without the efficient and effective

system of roads that we have accessing, developing, and mobilizing people, goods, and services. This road system infrastructure is needed at every level – county, city, state in order to successfully draw from our natural resource to our economy and to continue to allow that to grow.

He said recently we have been drawing value out of the system because of the lack of funding and if we continue on this course, the inadequate amount of funding for maintenance and reconstruction will undermine the support of the economy. Counties don't see secondary roads or local roads as more important than any other part of this supporting infrastructure but they do see them as just as important.

He said Iowa's greatest resource – the land – needs the local road access to service agricultural productivity and retain land value. Iowa's economy is dependent on an efficient and effective road system at all levels to support growth and commerce in the state. More financial resources are essential for road system infrastructure as the continued devaluing of infrastructure will weaken support for the economy and ultimately cause higher transportation user costs and will be felt by the price consumers pay for food, value-added products and goods and services.

He said county road department's have continued to make cost saving changes with technological advances and improved efficiencies but with the current funding level, the counties have been forced to make cost cutting changes as well which has reduced service and devalues our road system.

Mike Wentzien said he is a public policy analyst for the Board of Supervisors. Within the Code of Iowa county supervisors have been given the responsibility, obligation and duty to maintain the secondary road system. We do that by hiring accredited county engineers to develop good policy and good work ethics and to develop efficiencies to maintain the county road system. When he talks about the county road system, he refers to the 90,000 miles of roads and the 19,000 plus bridges that have to be maintained and kept in good operational condition.

He said the state of Iowa has not changed in dimension or size. The counties are the same as they were 100 years ago. There is the same amount of acres, same amount of farmland but that farmland has totally changed on its usage. It is no longer that little four-wheel wagon that hauls the grain to market. Now it is increased corn production, increased soy bean production, increased livestock production, wind energy, bio-fuels, ethanol, etc. All these items have expanded tremendously forming Iowa's great farm economy. Right now, with the reduction in buying power for the counties, the wear and tear on infrastructure that is so important is now on the verge of what he calls structural decay.

He said he is not quite old enough but he can recall reading articles about getting Iowa out of the mud. He said he doesn't want to go back to those times. He said Steve DeVries has developed quantitative data concerning the road system and he will present that. That will be very important because there is finally quantitative data on the condition of our county roads and bridges, the cost of maintenance, the cost of upgrades, and what is happening to our county road system. He said we supported, back during development of TIME-21, the 80/20/20 split and that cost counties 12.5 percent of those dollars but they supported that and continue to support that

concept. They also want to make it very clear that we also support and he thought Bill Stowe made a very good comment; we want to continue to support the existing distribution formula that we now have because it is very important to counties. We are in partnership with the Iowa DOT and cities and must maintain that type of partnership. He said they do strongly support an increase in the Road Use Fuel Tax fee.

He said we, as supervisor's, will support this again very strongly in the upcoming sessions.

Rep. Tjepkes said every year at a certain period in time there is usually a Governor proclamation to waive the weight restriction. Is that problematic to the road structure and is there any kind of a dollar and cents to that? Mike Wentzien said as far as the road structure itself it is really the ability to cross a bridge for the flow of grain. Oftentimes the big concern is out of state travel within the state of Iowa and that, oftentimes, is the reason for that. Personally, he sees no reason for it when you have a very good, dry crop season in the fall. It almost seems like it is just an automatic policy statement, maybe, for pacification.

Steve DeVries, Director of the County Engineers Service Bureau, said they are a communications and support organization that helps county engineers be as efficient as possible. This research project started two years ago and is funded by the Iowa Highway Research Board. The challenge they presented was to come up with a way to assess the financial needs of Iowa's county roads and develop a system that would allow counties, once this was created, to annually update and track their needs and assess where things stand.

He showed a graph that illustrates sort of the bi-polar nature of county roads. He said 70 percent of the miles are gravel and carry 20 percent of the traffic while 20 percent of the miles are paved and carry 70 percent of the traffic. Those paved miles cost about four times per mile to operate as the gravel. In light of this, he said they didn't come up with an immediate recommendation to reduce the size of the system. In order to assess needs, they decided to look at what it would take to sustain this system where it is at so that they can get a baseline of what the system costs and then that would formulate the possibility to discuss either more revenue or system reduction, whatever society wanted to do.

He said they developed a "carrying cost" which is what it would take just to keep the county road system in the same condition it is today; no better, no worse for a really long time. Their answer is \$806 million a year. The way they developed that is they broke all the expenditures that counties make into four categories – operations, maintenance, life extension, and renewal. They tried to ask themselves what they are doing for the public with this money. The first is operations, and this is money we spend just to have the system open. You spend money for permits, snowplowing, bridge inspection, electricity, equipment, fuel, etc. Those are things you buy because you need to have them to have a road system work but they don't affect the assets. He noted 20 percent of their expenditure is on operations.

He said maintenance is next. That is what you do to prevent your assets from going bad. You seal cracks, you do ditching, you paint bridges, you seal bridge decks; things you have to do to keep those assets stable. That is 16 percent.

Next is life extension where you do a partial restoration of service life. You have a pavement that is starting to get old so you do a 1- or 1½-inch layer of asphalt seal coat on it. That buys you another seven to ten years. You re-deck a bridge, you replace a piling.

Renewal is when your options for extension run out, then you have to either replace it or perhaps put that really heavy overlay on it to get another 20 or 30 years out of it. The first two, operations and maintenance, are the areas primarily where county staff and employees and equipment are used; about one-third of the cost. Most of the rest of the money is put out as projects performed by contractors. When we talk efficiency, county operations are going to affect one third of it and then contractors and bidding procedures affect the other two thirds of it.

The other way to look at this is cost per mile per year. Overall they have determined that with what counties are doing, they need to be spending about \$1,600 per mile per year to keep the earth roads where they are at. They need to be spending \$5,470 per year on gravel per mile; \$18,000 per mile on hard surface which is a sealcoat with a weak base, and \$23,000 per mile for paved roadways. That means that if you wanted to save money by converting gravel to earth, you are going to save about \$4,000 a mile per year. If you wanted to save \$100 million a year, that would take 25,000 miles of gravel. It sort of illustrates the magnitude of the situation. On the other hand, if you paved ten miles of gravel road, you are going to increase your cost from \$5,400 to \$23,000; about an \$18,000 per mile increase so if you pave ten miles, you will have to add \$180,000 annually to your budget from here on out to handle the ongoing future maintenance of those roads.

Mr. DeVries said he was just talking about carrying costs; just keeping the road system as it is now with no change in configuration or anything but there are needs for upgrades and we did work some of the upgrade costs into those previous figures which is the cost of thicker pavements to try to deal with the heavier equipment, cost to widen and lengthen bridges as they get replaced. Since 1993 there have been higher flood standards implemented so bridges are required to have bigger waterway areas, slopes need to be flattened, roadways widened to handle larger equipment, and, of course, they have taken on many miles of state road and generally, there is a rehabilitation effort that goes into those after they have been taken. The Iowa DOT does contribute some money very helpfully and generously but those old roads need a lot of work when they get them. The counties took 700 miles in 2003 and then as the various four-lane projects have gone along, the old highways really don't go away, they go to the counties. So, you don't just have a four-lane, you actually have six lanes with a highway needing service.

Nancy Richardson said there is some ongoing shift of funds to the county through the formula in order to help continually fund those transferred roads. They are transferred in a good state of repair or enough money to put them in good repair and then there is some percent of state money to help with some of that cost.

Steve DeVries said in terms of upgrade, they have urgent, priority and modernize. There are 371 miles that fall in the urgent category, and they estimate that it would take \$250 million to upgrade those; priority, it would take \$326 million; and modernize would take \$1.12 billion. He said their thought is they should encourage Iowa to at least tackle the "urgent" items and are going to propose \$25 million because that would get quite a ways down the line in ten years. We

can't just neglect this because any road that is at this level is a road that has safety problems because it has more traffic than it is designed to handle. Society pays a price in terms of more accidents if these roads are not upgraded.

How does the revenue compare to these costs? He reviewed a slide showing their actual cash receipts for counties over the last eight years. They were moving along pretty good until 2006 and then things deteriorated. Over the last eight years, actual revenues averaged about \$680 million a year for counties and the level of funding to just hold things where they are at is \$806 million.

How much do we need? He said the \$806 million is the carrying cost and if you add in the \$25 million for upgrades, we would say we need \$831 million to deliver a stable, well-fit road system to the rural road user. Add that to the \$680 million revenue of late and they need \$151 million more per year. That money would be used for equipment to support operations because counties have been deferring equipment purchases, some would go to maintenance because they have been deferring ditching, mowing, patching; and a lot of it would then go to extension and renewal activities.

He said the last resort would be asking for more revenue. The counties have done a lot of things to try to avoid getting to the position of asking for more revenue. Within their own agencies, they have improved their management; have done staff reduction, increased productivity. They have better tools and have changed how they approach projects. They have developed better statewide bridge, culvert and roadway designs and specifications to help contractors be more efficient and bid better. They have also cut costs by shared purchases with other agencies. They have reduced service where they could. They have accepted reduction of condition and have also realigned the system by going to class C and B roads, doing the road closures where possible and de-pave in some areas. However, this is not enough and at some point you have to admit that you can't save the day through economization.

He said one thing that affects all road agencies and is sort of the antidote or the counter weight to efficiency is regulation. Regulation in this country is increasing at a phenomenal rate, and although these all have very good social goals and endeavors, and although the counties are entirely in favor of fulfilling every one someone has to admit that compliance costs money. Every time you add a new regulation, you have more staff time spent doing paper work, training, plan building, etc.

He said their conclusions are there are big needs but not easy answers. Counties estimate that they need \$151 million more per year to arrest the deterioration and provide safe driving conditions. He noted CPI is rising at 2.5 percent; wages go up 2 to 3 percent; diesel has been climbing 6 percent; and construction bids have been rising more than 4.5 percent. The thing to think about is with those rates of increase, if they continue, any new funding needs to also rise at roughly 4.6 percent a year or it will quickly lose its value and we will be back to this table talking again.

Nancy Richardson asked if there are other opinions that you would like to share from ISAC about ways of generating that new money, preferred methods.

Steve DeVries said number one is there is a substantial need for an increase in the fuel tax because that is the most, despite its recent weakening in terms of vehicles, it is still the most reliable and immediate way to raise revenue.

Nancy Richardson asked if there are any others other than fuel tax that the people you represent are particularly interested in us taking a longer look at or not taking a look at? Steve DeVries said this gets into the political side of things and we engineers know pretty well what money is needed but they really hesitate to start making statements as to how it should be raised because then they are kind of invading the preview of their employers, the supervisors.

Allan Thoms asked Steve DeVries to respond to his previous question regard specific standards. Mr. DeVries said he thought that would be redundant. The counties already have a lot of standards they have to meet. There is a whole series of design aids promulgated and published through the Iowa DOT that have to be followed as roads are built. Geometrically, he didn't think there is any need for more standards or more requirements because they are already in place and are partly self-imposed, partly state imposed and partly federal government imposed and they cover the range of traffic needs that exist. You asked about insisting on a 50-year lifetime design. That is a tough one. It would be very desirable. The trouble is going from a 20-year renewal cycle to a 50-year renewal cycle would up the ante considerably. Instead of costing \$271,000 a mile every 20 years, you would suddenly be talking \$750,000 a mile; a lot more upfront cost to build a pavement structure that is going to last that much longer.

Nancy Richardson said 50 years was an example that was given. She wasn't sure that would be the standard or that there would be one life standard for all roads. Steve DeVries said one aspect of that is it is somewhat of a moving target. It is hard enough to project into the future 20 – 25 years and if you go to a 50 year standard, what is that going to look like at that time. What do you design for? That can get you to the point of actually designing more than what you need currently. Nancy Richardson said your concern is that it might lead to over design which then, in fact, costs. Steve DeVries said reality is that some of the 20-25 year designs that are in place have had to live 35-40 years.

Allan Thoms said I continue to hear that we have enough money, we are just not allocating it correctly. That, then comes down to the numbers of miles that we have. Do we have too many miles? Is there something that the state could do with the counties to be able to reduce the number or is that a problem? Steve DeVries said with modern farming practices, they have wondered for some time now if there wouldn't come a day when a farmer would come to a county and ask to have a road vacated in order to get these extra acres in the 66 ft. wide roadway strip. Agricultural representatives they spoke with said that is not forthcoming in the immediate future because a lot of the land is cash rented which means many different farmers are required to move between the parcels. He didn't think that there is going to be a lot of demand or willingness in the rural sector to reduce roads. Certainly, from an engineer's point of view, he thought some of those roads could go and not harm the overall operation but he wouldn't want to be the engineer involved in making that decision. It doesn't take very long to really discover that every road serves a purpose in the operation of someone's life.

STAKEHOLDER GROUPS

Scott Newhard, Executive Vice President, Associated General Contractors (AGC) of Iowa, said AGC is a trade association made up of 178 contractor firms and 174 supplier businesses. Our contractors either perform heavy-highway or underground construction such as water and sewer infrastructure. While AGC members may be the beneficiaries of an increased highway construction market, the fact is AGC members like other business people do not lightly make recommendations regarding raising fees or taxes on the people. With that in mind he provided a little history of our collaboration efforts with state and local governments to create greater efficiencies building and maintaining our highway system.

- Beginning in 1995 Governor Branstad and legislative leaders in a bi-partisan manner began a systematic restoration of diversions from the road use tax fund of non-transportation related spending and moving that money back to the road fund for construction and maintenance purposes. Between 1995 and 2000 the scheduled restoration was fully implemented. This resulted in \$118 million annually available to the road fund for construction and maintenance purposes. To put that in context of today, that would have been equivalent to a five cent gas tax increase through those efforts to end diversions.

- In 1995 Governor Branstad appointed his Blue Ribbon Committee on Transportation Task Force. The task force was a bi-partisan group charged with identifying efficiencies within the Iowa DOT as well as local government highway procurement procedures. In addition, an implementation working group was appointed to oversee adoption of the recommendations. A significant number of the task force recommendations were either adopted administratively or through legislation over a two-year period.

- In 2002 it became apparent the gas tax revenues were flattening. Iowa DOT Director Mark Wandro discussed with AGC the revenue projections. AGC suggested that before the “road lobby” would ask lawmakers for fee or tax increase, alternatives must first be sought that would give users of the road fund a “better bang for their buck”. It was decided an internal working group would be created and made up of what was called the “three legs of the stool” (state, county and city). Each level of government is a recipient through the formula of the road use tax fund. The group was composed of two rep’s from Iowa DOT, two county engineers and two city public works directors. AGC (Scott Newhard) and Iowa Good Roads Association (Dave Scott) were asked to facilitate the meetings.

- Countless meetings were held over 2002 to find areas of greater efficiency and cooperation between the three levels of government regarding highway infrastructure. A significant recommendation by this group was contained in S.F. 451 which transferred over 700 miles of short state roads to local jurisdictions and another which allowed greater county involvement with small town streets. This legislation represented a historic step in state and local government cooperation and cost effectiveness.

- During 2004 and 2005 the Iowa Department of Transportation conducted an internal analysis of the cost of Iowa DOT administration. During the period, millions of dollars of costs were eliminated, hundreds of positions eliminated, and Iowa DOT owned facilities eliminated.

These administrative cost savings translated to more road funds available for construction and maintenance of roads and bridges.

- In 2005 it became apparent that road fund revenues were still not keeping up with needs. In 2005 the legislature mandated a report in H.F. 868 that required the Iowa DOT to do a study that projected construction and maintenance needs of the state, county, and city systems and make specific recommendations concerning the revenues necessary to support those needs.

- The Iowa DOT used the previous working group structure and continued using AGC and the Good Roads Association as facilitators. The study began in 2005. During the study Mark Wandro resigned as Director and Nancy Richardson was appointed. The study group met on numerous occasions. AGC suggested several things:

1. An inventory of long term needs, but a pared down list identifying those projects and types of infrastructure most important to economic development and public safety.
2. A special pot of money outside the normal RUTF allocation to show the public the money would be spent in a strategic way.
3. A cafeteria plan of revenues rather than rely on raising a single source.
4. Enhanced revenues identified should be constitutionally protected.

- In late 2006 the study group concluded its work. It identified \$28 billion in unmet needs over the next 20 years and \$4 billion in critical needs. That translated to \$200 million new dollars per year for 20 years. It identified the type of projects for which funds could be spent. After a great deal of discussion and at times disagreement the governments agreed on a 60% (state), 20% (county), 20% (city) split of new revenues that were going to TIMES-21. The existing formula (47½ % - state, 32½% county, and 20% city) would be maintained for the existing revenue base. The group named the report TIME-21 and outlined several funding sources.

- The 2007 legislative session adopted nearly all the TIME-21 policy recommendations but deferred the funding issues to an interim legislative committee. The interim committee was required by state law to be equally balanced with Republican and Democrat legislators.

- In late 2007 Governor Culver announced he would veto a gas tax increase. Because a gas tax was off the table, the interim committee unanimously recommended a funding plan involving registration fees and renaming the use tax to give it constitutional protection.

- During the 2008 session Governor Culver reiterated his opposition to a gas tax increase despite its endorsement by numerous business groups and highway corridor coalitions.

- In February 2008 a national organization, The Road Information Program identified Iowa as the fourth most deficient state in the country regarding bridges.

- By late April the legislature in a bi-partisan vote adopted a TIME-21 funding proposal that increased registrations on pickups, extended the full registration levy on cars by two years, raised the minimum registration fees, and increased the fee on trailers. A major component of the bill was the recommendation which renamed the use tax as a “purchase registration fee” giving it constitutional protection for this \$250 million source of road fund revenues. Now, he would estimate that over 96% of road fund revenues are protected. Governor Culver signed the bill in April 2008. But, many legislators and road constituency groups felt that without a gas tax funding component there was no capturing increased taxes from out of state drivers.
- In late 2008 and into the 2009 legislative session a strong grass roots movement developed regarding need for a gas tax to complete the TIME-21 commitment. Legislators had earlier passed (2007) and Governor Culver signed (2007) the TIME-21 policy goal of \$200 million new dollars annually. It became very apparent that the new registration fee increases, no matter how long it took to phase them in would never actually meet the funding goal.
- In early 2009 a plan was announced that would increase the gas tax seven to eight cents which would allow the completion of the funding commitment, reduce registration fees by 8% and give a tax break to the tax applied to bio-diesel fuel thereby stimulating the industry. House and Senate Transportation Committee Chairs placed the proposal draft on their committee agendas. The following morning Governor Culver announced he would veto any gas tax increase. Governor Culver’s position effectively killed the proposal from further consideration over the next two sessions.
- In the meantime Iowa DOT identified the annual critical needs to fund TIME-21 had gone from \$200 million annually to \$267 million annually because the new revenues that were adopted were phased in and not available for immediate investment.
- Governor Culver later announced in the 2009 session his bonding plan. AGC advised Governor Culver that bonding for roads was not a substitute for the need for a healthy road fund. AGC said “pay as you go” is a better approach. AGC did not endorse the bonding scheme. The I-Jobs program adopted by the legislature did provide the state and locals some one-time road money – some through bonding and some through direct appropriation from non-road fund sources.
- Governor Culver in 2010 unveiled a consultant study calling for the road fund to return to the days of paying for the state patrol. That plan would have scooped over half the TIME-21 funds previously approved. Governor Culver’s plan was not considered by the legislature.

This brings us to the present. Lack of action to fully fund TIME-21 has resulted in the critical needs shortfall getting bigger, an increase in our national status for structurally deficient bridges and a recent written comment by Des Moines Register business writer Dave Elbert that “Iowa was weakest, according to the survey in a category labeled “infrastructure and transportation,” which is unfortunate because those used to be our strengths.” Elbert was referring to the CNBC 50 state study ranking states by various attributes. Iowa fell from 32 to 37 from the 2010 survey

in the infrastructure category. This decline was probably responsible for Iowa's overall business climate attributes score dropping from 6th best in the nation to 9th best between 2010 and 2011.

To remedy this situation, AGC recommends the following:

Raise revenues to complete the TIME-21 recommendations based on Iowa DOT's updated critical needs study at the level of an additional \$215 million funds annually beyond what has already been approved for TIME-21.

Raise the fee for purchase on vehicles from 5% to 6% (approx. \$50 million annually). This is the old fee we used to call "use tax." The use tax was always tied to the amount that is levied for the sales tax. Back when local option taxes first came into play, the local option tax was not applied to the purchase of cars. The reason for that was you didn't want a local option tax here in this committee and a \$20,000 car could be purchased elsewhere at a place where they didn't have to collect the tax so it was decided not to apply it. This would raise approximately \$50 million a year of the \$215 million.

Raise the gas tax at least 8 cents.

Resist bonding. Continue pay as you go. The bonding does not do anything in terms of getting you new money in the road fund unless you add new revenues. If bonding is the alternative, you will end up like Missouri with a huge program for five years and now they can't even take care of the maintenance of the deterioration of the projects they already built. He didn't think you will find any of the highway constituency groups advocating bonding even though it could mean a lot of improvements for them for a few years.

Resist exploring funding sources that are not constitutionally protected. They don't raise any significant money, and that money could easily be scooped for other things so it will never be part of the ability to do long-term planning.

Develop a minimum fee on alternative-fueled vehicles.

Develop a process for the future of an administrative adjustment of gas taxes based on a periodic review of the construction price index.

Mr. Newhard said one year ago USA Today did an analysis showing that drivers are paying less at the pump than ever despite the price of gas in terms of gas taxes. The study found Americans were paying \$19 in gas taxes for every 1,000 miles driven. That is a new low in inflation-adjusted dollars, half of what drivers paid in 1975. Another measure of that trend is Americans spent just 46 cents on gas taxes for every \$100 of income based on the first quarter of 2010. That is the lowest rate since the government began keeping track in 1929. By comparison, Americans spent \$1.18 in 1970 in gas taxes out of every \$100 in income. Bottom line, the gas tax has a low economic impact on Iowan's personal income.

The outlined recommendations if endorsed and ultimately adopted by the legislature will not only ensure our Iowa tradition of the users of the highway system paying for its maintenance and upgrading, but it will ensure that the revenue will go to the purpose for which it was collected.

Finally, a periodic administrative adjustment means hopefully we will not go for 20 years without an adjustment in gas taxes.

David Scott, Iowa Good Roads Association and the American Council of Engineering Companies said the Iowa Good Roads Association, a statewide organization of over 700 companies and individuals who share one common belief – they believe a sound transportation system is vital to the future of Iowa. Members of the Iowa Good Roads Association consist of manufacturing companies, grocery retailers, banks, auto dealers, contractors, construction supply companies, trucking companies, farmers, engineers, and just plain individuals who believe Iowa needs a strong highway system.

Today, the Iowa Good Roads association supports raising the necessary revenue to meet the critical needs of our state, county and local systems at the \$215 million level estimated by the Iowa DOT. If this body cannot stand behind a recommendation to support increasing revenue at the level necessary to meet our critical needs, he urged the group to resist making recommendations that will make little impact to improving the system and give our elected officials an excuse in years to come to not take the issue up again.

If the gas tax can be offset by additional sources of revenue such as increasing the fee to purchase automobiles from the current level of 5% to 6% then we support that option as being part of the mix. Unlike Scott Newhard who suggested around 8 cents, that might be very well the number but without knowing what other options you may be taking a look at, he said their point is they support funding at the \$215 level.

In regard to alternative fuels, he said there will be those who come before you and urge you to tax fuels at different levels in order to provide an incentive for one fuel over the other. Our fuel tax was never intended to be a method to incentivize one fuel over the other. The gas tax system was put in place to pay for the roads by those people that use the roads. It is a user fee for using our roads. There will be biodiesel and others that come forward and perhaps that could be taken a look at but the legislature, this year, took a look at alternative fuels in terms of tax incentives for retailers, wholesalers, producers. Anything you do there buys down whatever you end up doing on a gas tax increase. A vehicle powered by biodiesel creates the same amount of wear and tear on our roads as one being powered by regular diesel or ethanol.

He said he read something from the American Petroleum Institute that said the United States is now the Saudia Arabia of natural gas. We have discovered enough natural gas in this country for the next 200 years. Natural gas would make an excellent fuel for fleet vehicles leaving a location and returning at night. How do we tax those vehicles should that develop? His point is the fuel that you think today needs to be incentivized to be the fuel of tomorrow may very well not be the fuel of tomorrow.

In regard to bonding, he said since the beginning of the Iowa Good Roads Association over 70 years ago we have steadfastly opposed one bonding scheme after another and supports a pay-as-you-go system.

On the constitutional protection issue, he said the Iowa Good Roads Association has steadfastly opposed all diversions from the Road Use Tax Fund and do not want to return to the days of the late 80's and early 90's when the legislature was diverting \$115 annually from the RUTF to support non-road issues. AGC, Iowa Good Roads Association, and Iowa Motor Truck Association worked diligently to one by one remove those diversions and their concern is if you begin to open that door up again with sources that do not have the constitutional protection, it won't be long before the legislature chooses to fund the "cause of the day" with those sources.

He said the question then becomes why a gas tax and why now. Decades ago our legislators decided that the roads should be paid for by whoever uses them and in 1925 the first gas tax was created at 2 cents per gallon. The gas tax coupled with registration fees are the best and most fair ways to have those people who use the roads pay for the roads – and a gas tax is the only method we have for collecting fees from those thousands of motorists from out of state who use our road system.

He said some will argue we can't raise the gas tax now while we are in difficult economic times or because gas prices are too high. Well, if not now, when? In 2000 Governor Vilsack tried to get legislative approval to suspend the gas tax. Why? Because the price of gas was too high. The price of gas had hit a staggering \$1.79 per gallon. Governor Culver stated his opposition to a gas tax increase in 2009 saying the price of gas was too high. It was just over \$2.25 at the time. If not now, when?

I mentioned a moment ago that our elected leaders in 1925 had the fortitude and the foresight to pass a 2 cent gas tax. Today – 86 years later that two cents has skyrocketed to 20 cents per gallon. That two cents today, adjusted for inflation, would be 40 cents. They saw the need and took the necessary action. As for the price of gas, there's no question we are seeing record prices. We all know that. However, just as a two cent gas tax in 1925 is the equivalent to a 40 cent tax today, I would ask that you put the price of fuel in perspective as well.

Some people might argue that the big automobile glory days were in the mid 1950's. In 1955 cars were huge; engines were huge and they got 60-70 percent less mileage than they do today...and fuel was cheap at 29 cents per gallon. If adjusting that 29 cents to today's dollars that fuel would cost \$1.76 per gallon. So, gasoline now costs well over \$3.00 today, so are we as consumers worse off than we were in 1955? The answer according to the CATO Institute is a resounding NO. Because Americans were poorer in 1955, that \$1.76 per gallon bought a lot less than it does today. So, if we adjust gas prices not only for inflation, but also adjust disposable income per capita, gasoline prices today would have to cost \$5.17 per gallon to have the same impact as 29 cents did in 1955. If not now, when?

Let's move the time line up a bit to the 1980s. We increased the gas tax in the 1980s three times and he pointed out that the 1980s were a recessionary period as well. In 1981 gasoline was \$1.38 per gallon or the equivalent of \$2.74 in today's currency. Adjust that for the change in

disposable per capita income, the price of fuel would have to be at \$4.30 per gallon to have the same impact on our pocket book as \$1.38 gas in 1981.

This group has heard a lot from the Iowa DOT and others on the condition of our roads and the needs of our system, but I would like to share with you some facts on Iowa's roads that do not come from the Iowa DOT, but instead come from the Reasoner Foundation. The Reasoner Foundation is an independent organization that ranks all roads in every state annually. The rankings consider factors such as pavement condition, bridge conditions, congestion, and fatalities. In the most recent study available in 2009, only 19 states had roads that ranked in worse condition than Iowa's. From the period of 2000 to 2009, overall, Iowa slipped from 23rd place to 31 place in condition:

- Only 16 states ranked worse than Iowa in the percentage of deficient bridges.
- Only 7 states ranked worse than Iowa in urban interstate conditions.
- Only 4 states ranked worse than Iowa in rural interstate conditions.
- Only 4 states ranked worse in rural primary conditions.
- Another independent study by the Transportation Research program in 2008 shows Iowa with the fourth highest percentage of structurally deficient bridges.

Dave Scott said delayed repairs and maintenance is not simply a matter of delaying existing repair costs to some future date. Not only does inflation drive up repair costs, but delayed road repairs result in more extensive repairs later. A study by AASHTO (American Association of State Highway Transportation Officials) reported every dollar spent to maintain a road today reduces future repair costs from \$6-\$14 dollars.

He said he serves as the executive director of the American Council of Engineering Companies of Iowa, which is comprised of Iowa's leading consulting engineering firms representing over 3,000 employees in the state. Of course an increase in funding means jobs for them but that is not why the state needs to look at this. A side benefit of improving our streets and roads is the creation of jobs right here in Iowa. There is probably no other action the legislature can take that would result in more jobs being created more quickly than putting people to work on road design and construction. All too often in Iowa we are tempted to create new programs in the state that are designed to attract business to the state. Maybe these programs will work – maybe they won't. But there is no question that an investment in our streets and roads will result in work for Iowans. According to studies, for every dollar invested in road construction there is a 3 to 1 impact – so investing \$200 million in our roads would be a \$600 million dollar boost to our economy. I cannot think of one thing the legislature can do that would more quickly stimulate Iowa's economy.

When we were working on TIME-21 a number of years ago, Dave Scott said he remembered the comment being made that this is the next to longest time that the state has gone without a gas tax increase. The time before was during the Great Depression and just toward the end of WWII; it was 18 years. We have now passed that. The time is now to address this issue.

Allan Thoms said you mentioned that the fuel today may not be the fuel tomorrow. You mentioned natural gas. How do we go about taxing the different forms of alternative fuel. How

do we get to some type of equity whether it is a hybrid car that gets 46 miles to the gallon, an electric car that uses no gasoline, or a truck that uses propane and pays no gas tax? Dave Scott said he doesn't know exactly but he did mention to Nancy Richardson after one of our first meetings, it would take the engineers in the room to figure it out but perhaps taking a look at a BTU tax and whatever the BTU is of a gallon of gas, starting that at zero and then tax other fuels accordingly. You are going to have to get your arms around how you tax a fuel that is not sold by the gallon but may be sold by the pound. For electric cars, that goes to registration fees or some kind of an annual fee. As was pointed out the good thing about the gas tax is it is an incremental thing, you don't feel the pain as much when you are doing it by the gallon and by the fill up.

Nancy Richardson said sometimes you might just have to start with something. It may not be the perfect way you would do it but it could evolve to a more perfect way in ten years but even if you do a surcharge or something that is pretty simple, at least you have started.

Dave Scott said it is important for so people to know when the tax is going to take effect. They need to know that when they purchase whatever that vehicle is, that they understand that and the tax does not change after they have driven the vehicle for ten years. Going back to the use tax, the purpose is for the use of the roads. Whether or not the vehicle is burning diesel or biodiesel, that same vehicle is causing the same amount of wear and tear.

Rep. Tjepkes said when we did the TIME-21 legislation and the vehicle fee and we addressed the exemption given for pickups for business use we required they declare this when registering them. Is that system working pretty effectively? That concept could be the same with people that just declare it is a propane or natural gas driven vehicle and then you implement a formula. Nancy Richardson said she thought it is working okay. She noted Rep. Lykam has requested some data on how that is working with the pickups, how many are taking advantage of it, etc. What would those same pickups if they didn't get the business exemption provide in revenue? She asked Iowa DOT staff to see if there is data on how this is happening in other states.

Nancy Richardson said one of the nice things about fuel tax is that it is so incremental. Having said that one of the things when we go out because we are hearing a lot about fuel tax and part of that message with the public but we have stuff on the average driver like 13,000 miles or 25 miles per gallon, you use 520 gallons of fuel a year. Well, 520 gallons of fuel at 20 cents per gallon is like \$110 a year so the reality is if I were charge all at once for the state fuel tax on my gas, I would be getting a bill for \$110. As part of the messaging, we maybe need to talk to citizens about what we best understand. You pay your monthly bills and, in most instances, those monthly bills would exceed what the annual bill would be on fuel tax. She thought the public perception is it is much the reverse. It is not to dismiss the importance of that money to citizens but sometimes we don't understand the relationship of fuel taxes to what we pay for a gallon of fuel and then the relationship of what we pay in aggregate fuel taxes in a year compared to what we pay for a lot of other services that we get. Maybe that is part of our challenge is to message in a way that helps the public better understand that.

Brenda Neville, President, Iowa Motor Truck Association, said they are a trade association that represents 750 company members located in 88 of the 99 counties in Iowa. Their membership is

primarily comprised of trucking companies ranging from two trucks up to 5,000 trucks, long haul, short haul, less than truckload farming operations and they also represent the supplier division of the trucking industry and that is anyone that supplies products to the trucking industry such as engines, trucks, fuel, tires, etc.

She said one in every 11 people in the state of Iowa receives a paycheck from employment in the trucking industry. Right now, their latest statistic is that over 80 percent of all the communities in the state of Iowa rely entirely, 100 percent, on trucks for the delivery of products they need. Because of the important role that trucking plays in Iowa, they are very interested in the recommendations that will ultimately come out of this committee. For the past 25 years the Association has made gas tax a real priority. They have watched it very closely; they recognize the importance of roads, and they recognize the important role that this committee is playing in the recommendation.

Today in the trucking industry efficiency and safety are the two top priorities. With small or even non-existent profit margins for the trucking industry, maximizing efficiency on the delivery of every single load is of critical importance. Companies of all sizes, whether they have five or 5,000 trucks, are going to great lengths to identify ways to maximize their efficiency and they are also investing a great deal of money to determine where they can generate a degree of efficiency, any kind of efficiency is important in the delivery of each and every load. Because of this, the trucking industry and their membership continues to be a strong advocate for good roads. Roads have been a top priority since their existence in 1942 but for the last 25 years they have actually written a position, taken a position and advocated a position on roads.

She said a road that is in poor condition dramatically impacts the ability of that truck to maximize its efficiency. Simply put, a bad road can impact whether that truck makes money, loses money, delivers the load on time or doesn't deliver it on time and in their industry that is all they are selling. A bad road can impact the speed of a truck which, in turn, will impact the fuel efficiency of that truck and then the delays go on and on. Time delays are a very negative impact on the efficiency and the profitability of that load especially in today's just-in-time delivery mindset.

She is getting examples specifically from trucking companies on some of these different efficiency models and would share with the committee at some point, and their members will be also be prepared to show those efficiency models in real people language at all the public hearings you will be holding throughout the state.

She said a bad road further impacts the equipment itself from the tires to the suspension systems to virtually every part of the tractor and trailer unit which, in turn, will obviously increase maintenance costs, and then of most importance could realistically impact their ability to operate safely.

Good roads are critical to efficiency; critical to maintenance; and critical to safety in the trucking industry. Like trucking, good roads are essential to the state's economy as well and the truck industry recognizes that they need to pay their fair share in preserving the good roads. Right now, the average cost of fees and taxes paid by one truck is \$12,000 and that number goes up

every day. The Iowa Motor Truck Association (IMTA) opposes any diesel fuel tax increase that is not part of a comprehensive highway construction and maintenance plan. The reason they say comprehensive is they realize and recognize that we need to take care of the state's county roads and city roads, too, so comprehensive is key to their membership. And the maintenance plan that will promote the efficient movement of freight and automobile traffic that is needed vitally by this state. If those objectives are met, then the Iowa Motor Truck Association is in full support of an increase that would be phased in over a period of time. They strongly believe this type of user fee is the most efficient and effective way to fund the necessary support of a good road system in our state. A tremendous number of trucks travel through this state on any given day and while many of them are Iowa based trucks, there are also a great number of them that are out-of-state trucks. This user fee allows everyone that is using these valuable roads to help pay for these roads that are essential to our livelihood. We strongly believe that a "pay as you go" system is the most efficient manner in which to fund and maintain the vast system of roads that we have here in the state of Iowa. IMTA further advocates for a larger percentage, obviously, of that go to the construction and maintenance of roads that are primarily being used by trucks which are interstates and the commercial and industrial network but they also recognize they use county and city roads, too.

She said they are adamantly opposed to tolling and adamantly opposed to bonding for highway construction as well. Upon receiving the recommendations of this committee, they have a special task force that is appointed each year comprised of trucking CEOs from all sizes of trucking operations across the state. She doesn't run a trucking company so she relies on her members to look at the recommendations and then they will take an official position based on the recommendations of this committee.

Trucks are important to everyone. One of their favorite slogans that has been used the last decade sums it up perfectly. If you have it, a truck brought it. In order to bring these products that you all depend on, we need good roads and we need good road now. We have neglected the roads in this state for far too long, and we, as industry, urge the commission to take the necessary action to get us on the right track. The Iowa Motor Truck Association is committed to this mission, and we, as a trucking industry, are in a very unique position to carry out this message because it, ultimately, is costing our industry a great deal and they are ready to help get the message out, ready to show our support because we know how important the roads are and we want the improvements to happen as soon as possible.

Allan Thoms said you talked about a comprehensive plan. Are you saying you want a different plan than TIME-21. She said no, that was the statement we made in support of TIME-21 and that is the statement that is in place today. The comprehensive plan was added by some of our members that sit on that committee basically to recognize that we have the counties and the cities. We support TIME-21. Allan Thoms asked about the special task force. She said this is the position that is still in place but they certainly want to see what your recommendations are.

Nancy Richardson said the way we have experienced it before is the Iowa DOT put together general concepts and policy statements and then the IMTA committee will go through that report and will make a statement on it.

Scott Cirksema said as part of the discussion on options to put forward is paying a fee to carry more weight. Is that a viable thing? Brenda Neville said that is a very divisive issue within our association. Right now we don't have a position on that. We are looking at everything but our position has always been strongly for a gas tax and that is really all this task force has ever really supported strongly but we recognize we need to look at other recommendations as well.

Ann Trimble Ray said in your comments you mentioned support for the gas tax. Did you say phase in? Brenda Neville said yes over a two or three-year period.

Marty Schwager, Iowa Farm Bureau, said the Iowa Farm Bureau Federation is the state's largest grass roots farm organization with more than 153,000 member families throughout the state of Iowa. In terms of road funding issues, Iowa is significantly under funding its roads and bridges, and that lack of investment is being felt by farmers and rural communities. Iowa DOT has reported that Iowa needs an additional \$215 million per year over the next 20 years to meet the critical roadway repair needs. There are roughly 90,000 miles of secondary roads in rural Iowa. That accounts for about 80 percent of the state's roads and those roads shoulder all of the transportation of the state's farm-raised commodities. Unfortunately, many of those secondary roads are in poor repair. More than one out of every five Iowa bridges is also considered structurally deficient which is third worse in the nation and almost doubled the national average. The vast majority of these bridges are maintained by counties and, of course, many of them located in rural areas.

This poses a huge safety concern. It is also substantial economic disturbance that impacts all Iowans. Agriculture strengthens Iowa's economy by creating jobs and income for citizens around the state, not just farmers. But they need well maintained rural roads to keep agriculture and our state's economic engine running.

According to the most recent U.S. Census of Agriculture, in 2007 more than \$20 billion worth of corn, soybeans, pork and beef and other farm commodities are produced on our farms annually. Without a well maintained rural road system, farmers cannot get those valuable products to market and other Iowans cannot benefit from the jobs and the income they create. Also according to the Ag census, farming and agriculture-related industries account for more than a quarter of Iowa's overall economic input which translates into income for farmers and non-farmers alike. That also results in employing one out of every six Iowans.

Agriculture importance to our state has only grown since that Ag census was conducted. According to the Iowa Department of Revenue data, agriculture has played a major role in stabilizing the state's economy recently. In April 2011, farming accounted for two-thirds of the overall growth of Iowa's economy. Our Farm Bureau members have analyzed and discussed the mounting issue of roadway repair for a number of years. They have come to the conclusion that they believe increasing Iowa's fuel tax is the most equitable and sustainable way to meet our roadway funding needs. The fuel tax allows those that use our roads to pay for them and it also allows us to pay for road repairs and construction as we go rather than saddling ourselves with the debt to pay for these projects into the future.

Iowa's fuel tax hasn't risen since 1989. In the meantime, costs for road repair have sky rocketed. A dollar spent on construction today goes half as far as it did in 1993. We are due for an increase to help pay for the increased cost and maintenance that we have neglected to provide funding for in the past.

Currently, out-of-state drivers account for roughly 20 percent of travel on Iowa roadways but they only help pay for 13 percent of Iowa's roadway repairs through the Road Use Tax Fund and zero percent contributed to the TIME-21 fund. Increasing the fuel tax is a way for out-of-state drivers to pay their fair share for roadway usage and repair.

He said that concludes his comments. Please recommend a fuel tax increase for funding rural roads and bridges that support rural communities and drives the economic engine of our state.

Lindsey Larson said for those who farm and others that do not pay fuel and registration tax, has your organization taken a position on continuing these exemptions? Marty Schwager said that was certainly part of their delegate discussions. As you look at production agriculture, obviously, implements of husbandry that are used in the production of commodities are allowed to use non-taxable fuels. When you are using a fuel to do work in the field, it doesn't make sense to pay tax on that. Most of the grain, however, is transported and delivered on a licensed vehicle of some sort whether that is a straight truck, semi-trailer; anything that is licensed is required to be fueled with fuel that is taxed.

John Stineman, Executive Director, Iowa Chamber Alliance, said on behalf of the sixteen chambers of commerce and economic development organizations that make up the largest communities and metropolitan areas in the state of Iowa, they are pleased with and appreciate your attention to Iowa's critical infrastructure needs. Iowa's roads have significant unmet maintenance and preservation needs that restrict the ability to invest in essential expansions and improvements to our highway systems – expansions and improvements that are a critical component of economic development.

On a per-capita basis, the current Road Use Tax Fund formula allocates the most dollars to the least traveled roads and the least dollars to the more highly traveled roads. The Alliance recommends a more equitable funding formula so a larger percentage of road use tax dollars will be allocated to the primary state road system.

With eight percent of Iowa's roads carrying 61 percent of the traffic and with the rate of revenue to the Road Use Tax Fund decreasing, continuous investment in Iowa's public roadway system is essential to support economic growth. Iowa DOT studies project the need to preserve and build new roads and bridges in Iowa will far exceed available revenues.

The Iowa legislature established an additional funding formula in 2007, creating the TIME-21 fund. In 2008, the legislature began funding TIME-21 with a boost in revenues by increasing vehicle-related fees. Revenues for this formula are distributed among the state/primary road fund (60 percent), counties/secondary road fund (20 percent) and cities/street construction fund (20 percent).

Federal public policy is encouraging less and less fuel consumption so fuel-based Road Use Tax Fund revenues will continue to face downward pressure. Consideration needs to be given to alternative means of generating needed transportation infrastructure revenue. It is imperative, however, that the allocation of funds be addressed before revenue streams are altered.

The Iowa Chamber Alliance views TIME-21 as a significant step in the right direction, but there are aspects of it that need to be addressed. For example, if revenues exceed a certain threshold, it reverts to the old distribution formula. This provision needs to be fixed before new or expanded revenue sources are adopted. All new or increased revenue should be under the TIME-21 formula. Further, the TIME-21 distribution formula and project prioritization provisions should apply to all of the Road Use Tax Fund. With these changes in place, the Iowa Chamber Alliance supports full funding of the TIME-21 formula.

Additionally, the Iowa Chamber Alliance also supports passenger rail service as an alternative means of transportation that could help reduce motor vehicle traffic on Iowa's roads.

The Iowa Chamber Alliance will continue to closely monitor transportation funding issues both at the State and Federal level and work to ensure funding formulas are commensurate with road usage and that Road Use Tax Fund fund streams are equitable and appropriate.

Sen. Rielly said he has more of a suggestion or a request for the upcoming public input meetings. At previous meetings, the majority of them were preaching to the choir. There were a lot of supervisors, mayors but what we were lacking was support from the business sector. We need them to be a lot more vocal. If we are going to look at revenues for our roads and bridges, he didn't think there is anything more compelling than when you have the president of the chamber or members of the chamber or a local business leader that employs many people standing up and saying enough is enough; it is high time we endorse increasing revenues and start putting some money back toward our roads and bridges. It is not just for chambers, we also need the Farm Bureau to come. We also need people from the Association of Business and Industry to help us lead this effort. He said he is willing to travel the state again but he would encourage all interested parties; not just elected officials, city engineers or county engineers but individuals, business owners, people saying this is important, the safety of our roads, putting people back to work.

John Stineman said he would be happy to take that back to his members at their meeting in two weeks.

Sharon Presnall, Senior VP of Government Relations and Compliance for the Iowa Bankers Association (IBA) which is a 124-year old trade association serving 363 individual bank charters in the state of Iowa with over 1,500 locations and nearly 19,000 employees. She noted 95 percent of the banks in Iowa are members of the Association.

The Association's Board of Directors took a formal position to support increased funding for Iowa's road system in 2007 after reviewing a December 2006 report prepared by the Iowa DOT titled "Study of Iowa's Current Road Use Tax Funds and Future Road Maintenance Construction Needs." The Association has maintained a pro-funding position each year since the report was

published. Although we understand there are numerous options for addressing the funding shortfall, and all should be carefully considered, the Association believes an increase to the gas tax is an essential funding source. It is the only identified source where a significant portion is paid by non-Iowans using our roadways and it is constitutionally protected for its intended purpose. I have made available our 2011 Legislative Issues Preview booklet that reflects our general position. As you can see by the booklet, we don't often support tax or fee increases and we place heavy emphasis on government efficiency before increases are considered. We believe that goal has been met.

The DOT's 2006 report makes a compelling case that additional investment in Iowa's public roadway system is vital to sustain and grow our state's economy. More importantly, the information in the report reflects what we hear from local bankers – increasing numbers of structurally deficient bridges, deteriorating conditions of the Farm-to-Market Road System, a backlog of maintenance needs and the importance of continuing to develop the corridors that are critical to connecting Iowa with regional, national and international markets. All of these factors are critical to supporting and encouraging economic development within our communities and making Iowa more attractive in a highly competitive market for jobs and industry.

Iowa bankers also believe our state is uniquely situated for growth and development. We should take advantage of our central location in the United States – at the crossroads of major interstates, highways and railroad systems. This presents a huge advantage in attracting new business and manufacturers. With new business comes new jobs, new workers, new homes, etc. Recent studies done by the Federal Highway Administration show that every \$1 billion invested in highways creates or supports 44,700 jobs. It is arguably the only public investment that can have an almost immediate impact in realizing associated benefits and public infrastructure is one of the few economic development efforts best accomplished by government.

In addition to job support and creation, productivity gains are realized by investments that reduce travel times, reduce crashes, reduce vehicle operating costs and make travel times more consistent (just in time delivery). The earlier referenced Federal Highway Administration study shows that every dollar increase in net highway capital creates 30 cents of producer “cost savings” annually. The same study shows that on average, 25 percent of the yearly productivity growth rate in the United States is due to highway investment. Companies across Iowa attest to the importance of the roadway system in terms of location, capacity and condition to their ability to succeed. In short, a safe, efficient, and well maintained road system with sustainable funding is critical for Iowa's future.

Rep. Lykam said when we are in legislative session, we have a business and chamber luncheon on Fridays and a big public forum on Saturdays. It would be good for the Iowa Bankers Association members and community leaders to go there when the legislature is there and stand up. It would be very helpful if we are going to increase revenues.

Sharon Presnall said they would be happy to do that. She said they have their fall legislative meetings around the state and she thought that at least half of those meetings although they did not bring that issue up as a staff in almost every meeting they had, it was brought up in the room

by a banker so it is an important issue from an economic development standpoint, particularly for the industry.

Mike Norris, Executive Director of the Southeast Iowa Regional Planning Commission said he is representing the Iowa Association of Regional Councils (IARC) which is a trade organization of council of governments in Iowa. Its membership consists of 18 organizations; many were established under Chapter 28E of the Code of Iowa and they are also recognized under Chapter 28H. We consist of rural and urban areas. In his particular area in Southeast Iowa, they cover Fort Madison, Keokuk, Mount Pleasant, and Burlington. They do grant writing, planning, housing development, economic development and transportation. Annually, they write almost \$40 million in grants. They help secure and retain 2,000 jobs, are heavily involved in transportation planning. They work very closely with the Iowa DOT to administer the rural planning affiliate process.

Statewide, Council of Governments distribute through a local planning process approximately \$50 million. In his particular region, that is about \$2 million; we recently have been cut back due to the changes in the highway trust fund financing. Other activities in transportation planning they do is develop long-range plans. They also create four-year transportation improvement programs with all of their federal funds targeted for their region. They also work closely with cities and counties regarding area-specific transportation planning activities such as traffic data collection, traffic impact analysis, trail planning and development, and also economic development access for transportation.

IARC supports TIME-21 findings. They support revenue increases for maintenance and development of their transportation infrastructure and they support this within a strong planning framework that they have extensive experience at the regional level. A couple local examples of the impacts they see on declining revenues and their impacts – during the 2008 floods they had to respond to a lot of infrastructure damage. One of their counties had a key bridge essentially knocked out by the flooding. This would have led to embargoes; they have a large agri-business along this freight route that leads to a port terminal on the Mississippi River. For the county to take on this project by itself, it would have essentially had to borrow its entire outside funding allocation for about ten years. Luckily they secured around \$14 million for this project through the Economic Development Administration and the Iowa Department of Economic Development. This would have been a crippling project for an entire county for one bridge over the Iowa River.

They have also some positive aspects of their transportation investments. He was a small recipient of one of these investments today as he drove the Des Moines to Burlington corridor. That \$476 million investment has allowed him personally to gain a travel advantage of at least a half hour through 170 miles of travel.

The Siemens Corporation recently located a wind turbine blade manufacturing facility along U.S. 61 between Fort Madison and Keokuk. They could have went many places. The transportation advantage attracted them to their southeast Iowa location. Rail and four-lane highway and the possibility to go rail to barge attracted them to that site. Over 600 high-paying jobs are there and they were attracted by the transportation investment laid by the state.

In closing, Mike Norris said IARC supports efforts to increase revenue and address the funding deficiencies to address lagging maintenance and new development. IARC looks forward to partnering with the state to craft meaningful, useful, and long-lasting policies through planning that will help Iowa move forward and lead the nation with a quality and efficient transportation system. If we are to have the system we want, we have to be willing to pay for it.

Geri Huser said in a couple of prior Commission meetings, one of the issues that has been raised has been a concern about a lack of consistency statewide among the Regional Planning Affiliations (RPAs) and the Metropolitan Planning Organizations (MPOs) and then ultimately the local government in how they prioritize projects, make investment decisions. The concern as she heard it is a worry that as we are going out and getting public input, we want to make sure that we know there are those that have concerns and one of the concerns we often hear is isn't there a way to be more efficient. One of the concerns is that the way Iowa relies on the planning organizations to do some of the programming of funds and have played a very big role in the planning that the result may not be that the most important projects or the greatest value-added projects from a statewide perspective get done because they have some different ways of making investment decisions. As a sidelight, one of the particular recommendations at a meeting awhile ago was that there are some best practices maybe among those planning entities. Are they being shared among them all? Is there something to better help all achieve a more consistent level of competency and process.

Mike Norris said we deal with Surface Transportation Funding that comes from the Federal Highway Administration so we don't deal with the revenues that come in from state funding sources. Our role is fundamentally different than the role of the Iowa DOT districts. They are looking more on the macro level. They are looking at priority corridors, the seven corridors that were set out 15 years ago and they are looking at other investments that Iowa DOT makes. He said they are looking to complement those investments with strengthening the local network. With our particular funds we do a lot of urban arterials, urban minor arterials. With the nature of the federal funding source we can't fund any road with a lower classification than a minor collector in the rural area. Typically, counties will come to us for funding to strengthen their farm-to-market system. Cities have their own five-year programs. Everybody's funding is constrained so the notion that we are making inefficient investments with a constrained resource really doesn't follow that economic argument. As far as best practices go, he will illustrate what their region uses to allocate federal funds. We have a competitive system and it has an objective scoring system. We look at economic impact, pavement condition which they use empirical data for and then they employ volunteer services of a diverse group of people in our region. Economic developers, city engineers, county engineers, agri-business, private business, etc., to look at how we make the investments in the region. Those recommendations go to our board at the planning commission and then they sign off on those. All those are reviewed at the Iowa DOT and Federal Highway Administration level. So, we do have some good practices in the state and those are being shared. He said he thought we can do a lot to strengthen those and that goes back to his comments about the increased revenue being part of a strong planning framework so that we can look at increased revenue and the results coming from that increased revenue to make worthwhile investments that have a commensurate level of investment being put onto our road system.

Geri Huser said having said that and keeping in mind, I understand, that we haven't generated enough revenue, there is additional revenue that is out there and this is not an issue or question that is new. Something that has been discussed repeatedly - how do you create more economic efficiency in determining what roadways need to be repaired, maintained. As a representative of all the regions, are all of them using the method you just defined for what is the best use of funds we have available. Is that happening statewide?

Mike Norris said statewide the Iowa DOT has given each region the flexibility to determine with the local process what they feel is their best decision. Ours is somewhat unique in that it is completely competitive. Other systems rely on the planning from the cities and counties to do their five-year planning process to prioritize their own individual projects which we also allow but ours is slightly shifted to the regional planning commission providing more of the guidance to our board instead of the cities and counties. He said he didn't know that either method is the best but he thought that each region has really tried to make their own process the most efficient they can.

Geri Huser said whether the theory is correct or not, if you pool your resources and make your determination with the regional area, you are going to help everybody versus this is our money and this is for this community, etc. Is that happening statewide, yes or no?

Mike Norris said to specifically answer your question there are a lot of different methods being used to select projects.

Geri Huser said this goes back to the policy issue but she thought the answer to the question is the ability to use the funding as leverage and require match from each of those communities, you develop a leverage, that's not happening.

Mike Norris said he wouldn't say that is not happening. If you look at the cities and counties that apply for the funds, there are applying for the federal funds because they don't have the local funds to do the project. Obviously, those are priorities; otherwise, they wouldn't be asking for the funds. As we look at the process we are seeing multiple layers of prioritization. For example, this year in their region, they have two pools that apply for funds, cities and counties. The cities applied for almost four times the amount of funds that we had and it is extremely competitive and they compete with each other for the funds. They are not going to bring a project to our application process if it is not a priority in their own jurisdiction. So we are seeing multiple levels of prioritization.

Nancy Richardson said as she understands part of the question, find out from the RPAs if every one of the region/entities use some sort of a competitive process, what are the models, etc.? Maybe the answer is yes, they are all using some sort of a competitive process which may vary in how it is done but if there would be some way that the staff could assess or classify, based on the total number of RPAs and MPOs in the state, them by the process that they use to make investment decisions so that we have some sense of what variance there is among them and how many are using something that is truly competitive and tries to have the most critical projects come to the top at a regional level.

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Craig Markley said there has been a whitepaper of best practices done but not everyone uses the same process.

Nancy Richardson said even if they don't use exactly the same process, if there could at least be a look at, maybe it is in that white paper, of just some generalizations about the type of process. Are they all competitive or are some competitive and some doing something else.

Geri Huser said she think she knows the answer. The answer is it is difficult for elected officials to do it. You need to make best practices part of the criteria.

Nancy Richardson expressed appreciation to those making presentations. A lot of it was helping the commission understand in their words what their needs are. There may have been some preaching to the choir but that is important for us to hear that rather than just assume so we very much appreciate all of those insights. The other piece of it which is what are the ways to address that problem and which ones are most palatable and which ones do you see problems with. I know for some of you that's not in your job description and we understand that and others of you it was and so for those that could make some comments to us about which options you supported and which ones you didn't, we very much appreciate that. All of that information will be very useful to the Commission as we go out and do our public input meetings and then ultimately help the Iowa DOT finalize the information. Thank you.